**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

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|---|---|---|
| **Illinois Commerce Commission** | **:** | |
| **On Its Own Motion** | **:** | |
| **-vs-** | **:** | |
| **Central Illinois Light Company** | **:** | |
| **d/b/a AmerenCILCO** | **:** | **10-0272** |
| | **:** | **10-0273** |
| **Central Illinois Public Service Company** | **:** | **10-0274** |
| **d/b/a/ AmerenCIPS** | **:** | **(Cons.)** |
| | **:** | |
| **Illinois Power Company** | **:** | |
| **d/b/a/ AmerenIP** | **:** | |
| | **:** | |
| **Reconciliation of revenues collected** | **:** | |
| **under power procurement riders with** | **:** | |
| **actual costs associated with power** | **:** | |
| **procurement expenditures.** | **:** | |

**PROPOSED ORDER**

By the Commission:

The Illinois Commerce Commission ("Commission") entered an Order (“Initiating Order”) commencing the instant reconciliation proceeding. Among other things, the Initiating Order found that Central Illinois Light Company, d/b/a AmerenCILCO, Central Illinois Public Service Company, d/b/a AmerenCIPS, and Illinois Power Company, d/b/a AmerenIP (collectively the “Ameren Illinois Utilities” or “AIUs,” now known as Ameren Illinois Company d/b/a Ameren Illinois or “Ameren Illinois”), “shall reconcile revenue collected under each of the [specified] tariffs, or under related provisions filed pursuant to the orders cited and authorizing the recovery of power supply costs for the reconciliation period, with costs incurred in connection with procurement activities as defined in the tariffs of each utility.” The reconciliation period was the 12 months ended May 31, 2009.

Pursuant to due notice, hearings were held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois. Appearances were entered by respective counsel for Ameren Illinois and the Commission Staff ("Staff"). The three proceedings were consolidated. No intervening petitions were filed. Evidence was presented by the AIUs and Staff; at the conclusion of the hearings, the record was marked "Heard and Taken." A proposed order was served on Ameren Illinois and Staff.

## Background

As explained in the Initiating Order ("Initiating Order") in the current dockets, the final order entered on January 24, 2006 in Docket No. 05-0160/0161/0162 (Cons.) ("Procurement Docket") approved, with modifications, the initial series of tariffs and riders under which the AIUs would purchase – by means of an auction process ("Auction") -- electric supply for delivery to customers following the January 1, 2007 expiration of the mandatory rate freeze. Among the approved tariffs for each utility was a "hub" tariff known as Rider MV. The retail charges computed in accordance with these riders applied to service provided on and after January 2, 2007; the riders required annual reconciliation proceedings, as provided for in the January 24, 2006 Order.

In an order entered on December 19, 2007 in Docket No. 07-0527, the Commission approved, with modifications, an "initial procurement plan" filed pursuant to Section 16-111.5(j) of the Public Utilities Act and Section 1-75 of the Illinois Power Agency Act. The MV tariffs approved in the Procurement Docket were later superseded by new provisions, which the Commission approved, in Docket No. 07-0527. Rider MVA, Market Value Adjustment, approved in Docket No. 07-0527, allowed the Ameren Illinois utilities to address market value adjustments for fixed-price customers for service provided through the end of May 2008.

An order approving a reconciliation of revenues collected under procurement tariffs with actual costs incurred in connection with procurement activities for the initial reconciliation period of January 2, 2007 through May 31, 2008 was approved in consolidated Docket Nos. 09-0077, 09-0078 and 09-0079.

Rider PER -- Purchased Electricity Recovery -- also approved in Docket No. 07-0527, provided for the calculation of retail charges in accordance with the new tariffs that became operational and are applicable to service provided on and after June 1, 2008. Rider PER also requires an annual reconciliation. Initiating Order at 2.

Rider HSS -- Hourly Supply Service -- also approved in Docket No. 07-0527, provided for the calculation of hourly retail charges in accordance with the new tariffs that became operational and are applicable to service provided on and after June 1, 2008. Rider HSS also requires an annual reconciliation.

The Initiating Order in the current dockets directed the Ameren Illinois Utilities to reconcile revenue collected under each of the above-named tariffs, or under related provisions filed pursuant to the orders cited and authorizing the recovery of power supply costs for the reconciliation period, with costs incurred in connection with procurement activities as defined in the tariffs of each utility. Additionally, the Ameren Illinois Utilities were directed to include schedules presenting cumulative totals of incremental costs and cumulative totals of recoveries, by customer class, to the extent such information is reasonably available.

**Procurements of Supply during the Reconciliation Period**

Ameren Illinois witness Mr. Blessing testified that during the Reconciliation Period, the AIUs separately managed two portfolios of power supply products. One was for their residential and small business customers with peak demand less than one megawatt ("MW"). The second was for large commercial and industrial customers, with peak demand of one MW or greater, who take service under fixed-priced tariffs. (Ameren Ex. 1.0 at 3)

Ameren Illinois also procured the capacity and energy required to serve the residential and small business customers taking service under real time priced tariffs. (*Id*. at 5)

For the residential and small business customers and the large commercial and industrial customers taking service under fixed-priced tariffs, the AIUs entered into, as a result of the Auction process, load-following Supplier Forward Contacts ("SFCs") for full requirements, fixed-price, power and energy supply. For the residential and small business customers, a laddered approach was used. Under that approach, contract terms were 17 months, 29 months and 41 months, with each term representing approximately one-third of the load. For the large business customers taking service under fixed price tariffs, supply was procured over a single term of 17 months.

Thus, approximately one-third of the SFCs expired on May 31, 2008, which was prior to the reconciliation year. An additional one-third of the SFCs expired at the end of the reconciliation on May 31, 2009. The SFCs for the remaining one-third of the AIUs' bundled load expired on May 31, 2010. *Order* in 07-0527 at 44.

As such, the SFCs contracts provided full requirement power and energy supply for approximately two-thirds of the load requirements of the Company's residential and small business customers during the June 1, 2008 through May 31, 2009 Reconciliation Period. (Ameren Ex. 1.0 at 7-8)

Mr. Blessing testified that the other one-third of the power and energy supply needed to serve residential and small business customers during the reconciliation year was obtained through the procurement process, approved in Docket No. 07-0527, which procures a portfolio of standard market products that were supplemented by spot market purchases and other services that make up the full requirement product. He said Ameren Illinois made spot market purchases during the Reconciliation Period, and used energy swap contracts – authorized in Section 16-111.5(k) and contemplated in the Plan approved in Docket No. 07-0527 -- as the mechanism to hedge the cost of energy, which resulted in all of the actual energy used to serve the "roughly one-third" of the Company's fixed priced customer load served by the procurement plan portfolio being purchased from the MISO energy markets. (Ameren Ex. 1.0 at 8, 13)

Mr. Blessing stated that the other services included network transmission service, ancillary services, and Auction Revenue Rights. Each of these services or items, with the exception of network transmission service, were included in the full requirements product procured in the Illinois Auction and are required services to enable the Company to serve the load under the portfolio approach specified in the IPA procurement process. (*Id*. at 13-14)

Mr. Blessing also described the process by which energy and capacity was acquired on behalf of Ameren Illinois' large **real time priced customers** during the Reconciliation Period. (*Id*. at 14-16) All energy for this customer group was procured via the MISO day-ahead and real-time energy markets. For capacity, Ameren Illinois used an RFP, administered by Burns and McDonnell, for solicitations greater than a month and a less formal competitive procurement process, governed by a set of short-term capacity trading protocols, for purchases equal to or less than one month.

For longer-term solicitations, Burns and McDonnell administered a formal RFP process to procure capacity for the summer months of June, July, August and September. Burns and McDonnell issued the RFP to the market by posting the solicitation to its website, e-mailing it to a comprehensive list of market participants and through targeted advertising in Megawatt Daily. In addition, Burns and McDonnell prepared a posting for the MISO Electronic Bulletin Board which alerted the market of the RFP and provided a link to the RFP website. Burns and McDonnell provided a description of the product, a schedule that provided key deadlines, the quantity, the term and a sample contract.

The RFP process required that all communication with potential bidders go through Burns and McDonnell. When input was required from Ameren Illinois personnel, to respond to a bidder question or consider contract language changes during the contract comment period, all information provided to Ameren Illinois was pre-screened to remove the identification of the bidder. All capacity offers were submitted directly to Burns and McDonnell, who was solely responsible for evaluating such offers. Once Burns and McDonnell confirmed the capacity offered satisfied the MISO's deliverability requirements, the low-cost offers were selected. Ameren Illinois was then notified of the winning suppliers and associated capacity resources, with contract execution following immediately after such notification.

With respect to the competitive procurement process utilized for capacity purchases of a shorter duration, Ameren Illinois administered this process directly by following the short-term capacity trading protocols approved by FERC. These protocols were approved by FERC in Docket No. ER07-361 and require Ameren Illinois to post notice of any solicitation to the MISO Electronic Bulletin Board and e-mail the solicitation to as many market participants as practical. Market participants then provided offers for capacity directly to Ameren Illinois, prior to the solicitation deadline. All offers were screened by Ameren Illinois to ensure the capacity offered satisfied MISO's deliverability requirements. Once complete, Ameren Illinois selected the low-cost suppliers and notified them they were selected, with contract execution finalizing the transaction.

Mr. Blessing testified that in all cases, the procurements allowed Ameren Illinois to satisfy the MISO resource adequacy requirement and to do so at competitive, market based prices.

For the residential and small business customers taking service under real time priced tariffs, the capacity was procured in conjunction with the capacity purchases made on behalf of Ameren Illinois' large customers taking service under real-time priced tariffs as described above.

With respect to the **prudency** of purchases of fixed-price products through the Auction process approved in the Procurement Dockets, Ameren Illinois' view is that Public Act 095-0481 nullified the Commission's order and findings regarding what is required to affirm the prudence of the AIUs' activities in procuring fixed-price products, including the purchase of the described products and payments to the suppliers per the SFCs, during the Reconciliation Period. Section 16-111.5 (l) of the Act provides, in part, "The electric utility shall also recover its full costs of procuring electric supply for which it contracted before the effective date of this Section in conjunction with the provision of full requirements service under fixed-price bundled service tariffs subsequent to December 31, 2006." It further states, "All such costs shall be deemed to have been prudently incurred." (Ameren Ex. 1.0 at 18-19)

According to Ameren Illinois, "Notwithstanding this legislation, the Company has performed all prudent acts in a manner consistent with the law, the Commission's final order in the Procurement Docket, and any related FERC and/or Commission protocols to ensure the prudent purchase of power supply and delivery to their customers." (Ameren Ex. 1.0 at 19)

Regarding the prudence of purchases resulting from the IPA procurement process, Ameren Illinois states that Section 16-111.5(l) of the PUA governs an electric utility's recovery of costs of procuring power and energy via the IPA procurement process, and explicitly allows for full cost recovery of all of the Company's cost of procuring power and energy via the IPA procurement process, including the cost associated with the long term energy swaps mandated by the Section 16-111.5(k) of the PUA.

Section 16-111.5(k) states, in part, "Costs incurred pursuant to a contract authorized by this subsection (k) shall be deemed prudently incurred and reasonable in amount and the electric utility shall be entitled to full cost recovery pursuant to the tariffs filed with the Commission."

According to Ameren Illinois, "Notwithstanding this legislation, the purchases made via the IPA procurement process were made in a manner consistent with the procurement provisions of the PUA and the Company has performed all prudent acts in a manner consistent with the law and the Commission's order in Docket No. 07-0527."

Regarding purchases made on behalf of the Company's customers taking service under real-time priced tariffs, Mr. Blessing states that Rider HSS defines the general parameters for procuring the capacity and energy required to serve the Company's real-time priced customer load. He added, "In addition, the capacity trading protocols the process utilized by the Company to procure capacity for the real time priced customer load." In his view, the capacity and energy purchases made by the Company on behalf of the real-time priced customer load were made in a manner consistent with the parameters included in Rider HSS and the FERC approved capacity trading protocols. (Ameren Ex. 1.0 at 20)

**Reconciliation of Costs and Revenues**

Reconciliations of costs and revenues for each AIU were presented for the 12 months ending May 31, 2009, as explained by Ameren Illinois witness Mr. Dominic S. Perniciaro, Supervisor - Power Accounting for Ameren Services Company, a services company affiliate of Ameren Illinois. He sponsored Ameren Exhibit 2.0 (2nd Revised) and Ameren Exhibits 2.1 - 2.7.

Ameren Exhibits 2.1, 2.2 and 2.3, show the recovery of Ameren Illinois' total allowable costs over the 12-month Reconciliation Period ending May 31, 2009 for the Basic Generation Service – Fixed Price ("BGS-FP") product under Rider PER. Ameren Exhibits 2.4, 2.5 and 2.6 show the recovery of the Company's total allowable costs over the 12-month reconciliation period ending May 31, 2009 for the Basic Generation Service – Large Real-Time Pricing ("BGS-LRTP") product under Rider HSS. Ameren Exhibit 2.7 shows the amounts filed for each recovery period since January 2007 compared to how they should have been reported and the resulting variance.

Mr. Perniciaro described generally the tariffs that provide service to customer groups and how they relate to the various purchased power and energy products. Two different products were procured for customers who choose to take power from Ameren Illinois: BGS-FP was available to customers with demands under of 1,000 kilowatts ("kW"); and BGS-LRTP was available to customers with demands equal to or greater than 1,000 kW. Ameren Illinois also offered small customers -- with demands under 1,000 kW) -- service under Rider PER. The real-time pricing ("RTP") product for small customers was supplied from contracts entered to serve the BGS-FP category of service.

Mr. Perniciaro explained that all customer categories do not incur all the above-described costs. Below is a list of each applicable cost source cross-referenced to the service category to which it applies:

Auction Suppliers: BGS-FP; BGS-LRTP
MISO Energy Costs: BGS-FP; BGS-LRTP

MISO Market Settlement: BGS-FP; BGS-LRTP
Rider QF Costs: BGS-FP
Medina Valley Excess Generation: BGS-FP (AmerenCILCO only)
Ancillary Services: BGS-FP; BGS-LRTP
Capacity: BGS-FP: BGS-LRTP
Company Use & Free Service under Franchises: BGS-FP

Mr. Perniciaro also identified adjustments made in the reconciliation. (Ameren Ex. 2.0 2nd Rev. at 6) In the October 2008 filing for AmerenCIPS for the BGS-LFP rates, an adjustment was made for accounts that were incorrectly classified. These accounts were classified as BGS-LFP customers but they were actually BGS-FP and alternative retail electric suppliers ("ARES") customers. BGS-LFP rates were decreased by these incorrect costs. The BGS-FP adjustment was made in the October filing that was filed under Rider PER so it is not included in this reconciliation.

In the October 2008 filing for AmerenIP for the BGS-LFP rates, there were two adjustments made for accounts that were previously incorrectly classified. The first adjustment was for accounts that were classified as BGS-LFP customers but were actually ARES customers. BGS-LFP costs were decreased to correct for the oversight, and the Market Value Adjustment ("MVA") factor applied to customers was adjusted accordingly. The second adjustment was for AmerenIP Special Contracts. These contracts are served under the BGS-LFP tariff but their costs should be excluded from the Rider. There were some final settlements for the Special Contracts not included in the BGS-LFP costs in the calculation in prior months. When making the monthly adjustment for the Special Contracts, Ameren Illinois began with AmerenIP's total cost and then reduced the costs by the Special Contracts. However, when the adjustment was made for these final settlements, an error occurred that caused a decrease in the total costs for the Special Contracts cost which had already been once excluded. In October 2008, Ameren Illinois added back the amount of the Special Contracts costs that were deducted twice. (Ameren Ex. 2.0 2d Rev. at 7)

Another adjustment related to Medina Valley's generation. In the first reconciliation proceeding, Docket Nos. 09-0077, 09-0078 and 09-0079 (Cons.), testimony was provided indicating that the variable and fixed costs components of Medina Valley's generation should be excluded from the cost calculation but the gas costs should be calculated using the formula provided in Docket Nos. 00-0815 and 00-0816 instead of the actual cost of gas. This resulted in an adjustment is $1,885,614.19 for the first reconciliation period. Since this issue continued through December 2008, an adjustment is needed for the second reconciliation period in the amount of $869,667.24 to reflect the adjustment needed from June 2008 through December 2008.

In October 2010, internal analysis found revenue collected by Ameren Illinois that was not included in the total revenue collected for Rider PER as a result of a mapping error. The issue resulted in under reported revenues of $6,619,363.01 from June 2008 through June 2010. Of this amount, $585,403.10 of the over-recovered amount was related to the reconciliation period from June 2010 through May 2011 and was included as a Factor A in the January 2011 filing. The remaining over-recovered amount of $6,033,959.91 split by Reconciliation Period is shown by rate zone in the testimony. (*Id*. at 8)

In January 2011, internal analysis determined that the workpapers calculating the unamortized balance in the filings contained a flaw which resulted in a reduction in the balance at a quicker pace than the general ledger and in an over-recovered balance in aggregate in the general ledger compared to the unamortized balance in the filing. Ameren Exhibit 2.7 indicates the amount per Rate Zone and reconciliation period for the periods from January 2007 through the most current filing. Staff was notified of the issue in February of 2011 and it was corrected in the March 2011 filing in order to correct the balances as quickly as possible to reflect the calculation correction in the work papers. While reconciling the unamortized balance back to the general ledger each month to address the unamortized balance issue, it was discovered that amounts related to the discontinuation of Rider LFP and Rider QF in June 2008 were never added to the unamortized balance of the filing. These amounts were calculated by determining the residual balance for each rider less any amount included in the Factor A relating to their inclusion in Rider PER, are shown on page 9 of Mr. Perniciaro's testimony.

The last adjustment item found relates to the June 2008 revenues record for AmerenCILCO's BGS-RTP product. Revenue was filed as $3,688,716.15 when it the correct revenue amount is $3,686,716.15, resulting in an under recovery of $2,000.

On behalf of the Commission **Staff**, Ms. Theresa Ebrey, an Accountant in the Accounting Department of the Financial Analysis Division of the Commission, offered testimony, ICC Staff Exhibit 1.0 and Schedules 1.01 CILCO, 1.01 CIPS and 1.01 IP. Page 1 of each Schedule presents a summary of the reconciliation for the various components of Rider PER and Rider HSS. Pages 2 and 3 of each Schedule present Ameren Illinois' reconciliation of each product, adjustments, and the resulting Staff calculation.

Ms. Ebrey testified that Ameren Illinois did not provide reconciliation schedules similar to those provided in the previous year's reconciliation order. Ms. Ebrey said such schedules were provided responsive to Staff data requests; however, she did not agree with the schedules submitted by Ameren Illinois. Ms. Ebrey stated that she was unable to trace amounts from those schedules to the amounts approved in the final orders in the prior year's reconciliation or to amounts included in the monthly filings made by the Companies during the Reconciliation Period. In developing her schedules, Ms. Ebrey testified that she started with the final order from the last proceeding and reflected amounts filed during the Reconciliation Period. Changes to those costs, recoveries or interest amounts are shown in the adjustment column on Schedule 1.01 for each Rate Zone with the sources shown as company provided information.

Ms. Ebrey described the adjustments she proposes. She proposed adjustments to provide for Rider PER interest for the reconciliation period on the Rider QF Over-recovery and the Day Ahead Energy Revenues which were not included in the monthly filings during the Reconciliation Period. In addition, Ms. Ebrey proposed a similar adjustment to interest for AmerenCILCO Rider HSS associated with the $2000 error identified by Ameren Illinois for RTP recoveries for the period October 2008 through May 2009. The amounts for interest were provided by Ameren Illinois in discovery.

Ms. Ebrey only included interest through May 2009, rather than through December 2011, because the Reconciliation Period in this case covers the period June 2008 through May 2009. Ms. Ebrey suggests that any interest beyond the Reconciliation Period will need to be calculated and included in Ameren Illinois' informational filings when the Commission-approved Factor O is refunded to ratepayers.

Ms. Ebrey did not propose any interest on the automatic balancing adjustment ("ABA"). Ameren Illinois identified the error regarding the ABA and reflected the adjustment in the informational filing made in March 2011. In calculating that adjustment, Ameren Illinois included an amount for interest as reflected in the associated workpapers. Thus no additional interest adjustment is necessary for the Reconciliation Period.

In Ameren Exhibit 4.0, Mr. Perniciaro testified that he is in agreement with the recommendations made by Staff.

**Breakdown of Costs and Recoveries by Customer Class**

In the Initiating Order, the AIUs were also directed to "include a schedule presenting cumulative totals of incremental costs and cumulative totals of recoveries, by customer class, to the extent such information is reasonably available."

In supplemental testimony, AIU witness Mr. Perniciaro testified that Ameren Exhibits 2.1 through 2.6 reflect the costs and revenues by supply product. He said any detail beyond supply product (i.e., fixed price load and large RTP load) is not available because there is no further granularity associated with these costs. Cost data is only collected on a total "supply product" basis. Mr. Perniciaro stated that this was the intended rate design for the Supply Fixed Charges, where suppliers were paid for each summer or non-summer kWh at the stated contract amount, regardless of whether the kWh was provided to a BGS-1, BGS-2, BGS-3, or BGS-5 customer. He said this is also the reason why all BGS customers pay the same over/under value for each of the respective AIUs, and that to provide any further cost data would be extremely burdensome as the data sets simply do not exist in a format that would be conducive to any further data analysis.

The Commission finds that for purposes of this proceeding, the information provided was sufficient, and that a more detailed breakdown by customer class was not reasonably available within the meaning of the Initiating Order.

**Commission's Conclusions, Findings and Ordering Paragraphs**

In the instant docket, the Initiating Order directed the AIUs "to present evidence to show the reconciliation of revenues collected under the respective tariffs with costs incurred in connection with proper procurement activities as defined in the tariffs of each utility, all as is more fully described hereinabove" for the reconciliation period of June 1, 2008, through May 31, 2009.

The Commission finds that for the reconciliation period of June 1, 2008, through May 31, 2009, Auction purchases of full requirements power and energy supply to serve fixed-price customer load were made in accordance with the process established in the Procurement Docket. These Auction purchases were proper procurement activities within the meaning of the Initiating Order in the instant proceeding.

For the reconciliation period of June 1, 2008, through May 31, 2009, purchases made pursuant to the IPA procurement process, as identified by Mr. Blessing, were made in a manner consistent with the process contemplated in the Order in Docket No. 07-0527. These purchases, including those made on behalf of real-time pricing customers, were proper procurement activities within the meaning of the Initiating Order in the instant proceeding.

The Commission also finds that reconciliations of procurement costs and revenues as set forth on Staff Exhibit 1.0 and Schedules 1.01CILCO, 1.01CIPS and 1.01IP, and in the Appendices hereto, are accurate and are approved by the Commission. For AmerenCILCO, recoverable procurement costs were $217,586,066 and revenues were $228,254,656. For AmerenCIPS, recoverable procurement costs were $426,482,723 and revenues were $436,496,029. For AmerenIP, recoverable procurement costs were $607,536,918 and revenues were $624,525,274.

The Commission, having considered the entire record, is of the opinion and finds that:

(1) during the reconciliation period, the AIUs were Illinois corporations engaged in the transmission, sale and distribution of electricity to the public in Illinois, and were public utilities as defined in Section 3-105 of the Public Utilities Act;

(2) the Commission has jurisdiction over the parties and the subject matter of this proceeding;

(3) the facts recited and conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;

(4) for the reconciliation period of June 1, 2008 through May 31, 2009, the reconciliation of revenues collected under the above-referenced

procurement tariffs with actual costs incurred in connection with procurement activities as defined therein, as shown in Staff Exhibit 1.0 and Schedules 1.01CILCO, 1.01CIPS and 1.01IP, and in Appendices A, B and C of this Order, is accurate, and is hereby approved.

IT IS THEREFORE ORDERED that for the reconciliation period of June 1, 2008 through May 31, 2009, the reconciliation of revenues collected under the above-referenced procurement tariffs with actual costs incurred in connection with procurement activities as defined therein, as shown in ICC Staff Exhibit 1.0 and Schedules 1.01CILCO, 1.01CIPS and 1.01IP filed on e-Docket on December 22, 2011 and as summarized in Appendices A, B and C of this Order, is hereby approved.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

DATED: June 29, 2012

Larry M. Jones
Administrative Law Judge